

NEWS
LETTER

June 2006

Property Writes

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Property Tax Division
Utah State Tax Commission

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School State Basic Tax Rate .001515
State A & C Tax Rate: .000139

Message from the Deputy Director

-Lee Stephens

Summer is here. It is a time of year I have always enjoyed. During the month of June many important projects are completed for the Property Tax Division. We will soon have completed calculating the tax rates for each of the twenty-nine counties. The sales ratio study will soon be completed. Each of the projects completed in June have one thing in common – the importance of teamwork. This teamwork comes from all levels of government; it includes the help and assistance that comes from the counties and the local government agencies.

Property taxes are unique in the different areas it serves. It serves the Local Government, the County Government, Special Districts, and Education across the state. This past year the property values have been going up constantly. With this fast rate of change it has caused a need for many changes in property values at the county office. We want to thank each of the counties for the hard work and effort they put into keeping their property values up to date. Thanks for the hard work and for working together so we could as a group best serve the citizens of Utah.

The future will probably continue to hand us many challenges. Working together we will be able to best meet the needs of the citizens of Utah. Thanks.

Real Property Section

- Gerald Osborne

The Utah real estate market has really taken off, which has made it difficult for many Assessors to keep up with market value. It seems that there are a few different reasons for the rapid increases. We do understand that it is difficult to react and make the kind of changes you need to do to be in compliance with the sales ratio standards. I would like to compliment the Assessors and their staffs for their hard work and willingness to work with us in the property tax process.

In the past couple of months, Lee Stephens, the Deputy Director of Property Tax, and I have been out visiting some of the Assessors and their staff and have found it to be informative and helpful in understanding your individual county concerns and problems. We will continue with these visits once we finish up with the Sales Ratio Studies and Auditing process.

CENTRALLY ASSESSED

-Art Brownell

The Utility Section completed its 2006 assessment assignments on time. This was accomplished with two new analysts, one with two weeks time on the job at the beginning of March. Our section assessed 125 companies in 2006. This is a decrease from the 137 companies we assessed in 2005. Some of that reduction came about as companies merged their operations while others ceased operations, either in Utah or ceased operations completely.

The following table shows how the assessment levels changed between 2005 and 2006

Industry	2006	2005	Difference \$	Difference %
Air	1,121,226,790	855,862,960	265,363,830	23.67%
Gas	535,642,520	511,635,210	24,007,310	4.48%
Ground Transportation	2,744,888	2,700,190	44,698	1.63%
Pipeline	1,340,789,490	1,281,003,660	59,785,830	4.46%
Power	4,421,411,459	4,205,799,236	215,612,223	4.88%
Railroad	360,517,040	342,667,950	17,849,090	4.95%
Telecommunications	1,795,108,790	2,062,265,258	(267,156,468)	-14.88%
TOTAL	9,658,058,380	9,336,402,049	321,656,331	3.33%

The large change in the airline companies appears to be the primary result of two factors; increased industry activities in the state and the Division's reliance on the Airliner Price Guide as the sole value indicator relied on in reconciling the value indicators. Many companies reported an increase in their Utah activity while others reported big increases in the size of their air fleets. Another smaller factor was the elimination of the enterprise ratio used in the allocation of value. We estimate that approximately 2% to 3% of the increase in airline companies' assessed value was the result of this change.

The substantial decrease in assessed value for the telecommunications industry is somewhat deceiving. One telecommunication company's original 2005 assessment was reduced by about \$170 million as a result of a stipulation between the counties and the taxpayer. The 2006 assessment was similar to the stipulated 2005 value. Another factor influencing the reduction in telecommunications property was the change during the recent legislative session that declared goodwill to be exempt from property tax. We estimate that change resulted in about a \$50 million reduction in telecommunications values.

Other industries saw modest growth in values in line with the general improvement in the economy and their internal growth.

We have received taxpayer appeals from 43 companies or 34 percent of the total companies we assessed. Of that total, 25 of the taxpayer appeals were from airline companies. The preliminary totals break down as follows:

Industry	Appellant Companies' Original Assessment	Companies' Requested Reduction
Airlines	\$ 1,013,700,300	\$ 355,648,157
Gas	535,642,520	37,489,167
Pipelines	1,287,711,230	122,170,691
Power	2,853,604,690	189,356,560
Telecommunications	638,877,520	174,945,615
TOTAL	\$ 6,329,536,260	\$ 879,610,190

Preliminary numbers indicate that approximately 13.9% of the original assessment of the appellant companies is in dispute; while about 9.1% of the total assessed value of all utility property is in jeopardy.

NATURAL RESOURCES

-Paul Bredthauer

Oil and Gas companies continue to drill new wells in the state with most of the activity being in the Uintah Basin. The majority of the wells are gas wells. Currently there have been 1,500 permits issued for new wells. The Oil & Gas Section has prepared a presentation explaining how values on a well are arrived at. If you would like us to come to your county with this presentation, contact Glen Stevens at (801) 297-3611 or Roger Barth at (801) 297-3610.

The 2006 assessment was completed on time and thirty-six appeals have been filed for this year. With the completion of the assessment season site inspections have begun. If you have a specific property that you would like us to look at, contact Paul Bredthauer at (801) 297-3619.

John Stewart has retired from the Tax Commission. Glen Stevens has been selected at the new Senior Analysts in the Natural Resource Section. Glen is a Certified General Appraiser and has been working in the Oil & Gas area for over five years. The process of selecting his replacement has begun.

TAX RATE SECTION

-LaMar Sayer

Hello, and how goes the battle. We in the tax rate team are busy in the beginning throws of property tax rates. We have data from 19 counties and have already gotten certified rates out to most of them. We are still verifying a lot of the values and will hope to have all of the counties out in the first part of July. Last year we set a new record of July 15th. I think that we will be able to beat that date this year, thanks in most part to the great county auditors, treasurers and assessors that we get to work with.

We also have had the good luck to attend the summer workshops of the treasurers, auditors and assessors. It was great to spend time with them and to learn more about property tax and what each of these offices do. We really appreciate how you have welcomed us and made us to feel a part of the whole.

At the summer workshops we handed out the new 233X – Pacman form. This form is the new method that in conjunction with the county officials we developed for the filing of parcel counts by each county. This data will be used in the distribution of the multi-county assessing and collecting moneys. It is our hope that this form and the changes it will require in reporting will make certain that the A& C funds are distributed fairly and accurately.

Training

- Ron Smith

2008 Is Just Around the Corner (Sort of)

Just a reminder that the Division of Real Estate educational requirements for appraiser licensing and certification will increase substantially January 1, 2008. Those appraisers working towards licensing or certification should try to complete the requirements during the next 18 months.

In 2008 the required hours will almost double, and those seeking certification will need a college degree. All of the details are explained in the January 2006 newsletter from the Division of Real Estate. You can find the newsletter on the web at:
<http://realestate.utah.gov/Newsletters/RE0106.pdf>

The ad valorem experience requirements have not changed: 2 years for license, 30 months for certified residential, and 3 years for certified general. Don't leave your application till the last minute. Get your education, experience and application completed and delivered to the Division of Real Estate as soon as possible.